

Message Text

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TO AMEMBASSY TOKYO NIACT IMMEDIATE

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E.O. 11652:GDS

TAGS: ENRG, JA

SUBJECT:PRESS REPORT ON SAUDI-JAPAN OIL ACCORD

1. TEXT OF ARTICLE IN WASH POST JANUARY 31 BY OBERDORFER
FOLLOWS:

BEGIN QUOTE: JAPAN AND SAUDI ARABIA ARE ON THE
THRESHOLD OF WHAT SAUDI PETROLEUM MINISTER SHEIKH ZAKI
YAMANI CALLED TONIGHT "A VERY BEAUTIFUL ARRANGEMENT ... A
VERY HAPPY MARRIAGE WHICH WILL HAVE NO DIVORCE."

THE FORMAL PART OF THE DEAL IS A BILATERAL TREATY OF
ECONOMIC AND TECHNICAL COOPERATION BEING WORKED OUT BY
YAMANI WITH JAPANESE LEADERS IN A SERIES OF CONFERENCES
THIS WEEK. AFTER THE LATEST OF THE MEETINGS THIS AFTER-
NOON, JAPANESE FOREIGN MINISTER MASAYOSHI OHIRA SAID
THAT FUNDAMENTAL AGREEMENT HAD BEEN REACHED. HE FORECAST
THE FINAL APPROVAL WHEN THE SAUDI FOREIGN MINISTER COMES
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TO TOKYO IN ABOUT TWO WEEKS.

UNWRITTEN BUT PERHAPS MORE IMPORTANT PARTS OF THE EMERGING ARRANGEMENT APPEAR TO INVOLVE POLITICAL SUPPORT BY JAPAN FOR SAUDI VIEWPOINTS IN THE FORTHCOMING WASHINGTON MEETING OF OIL-CONSUMING NATIONS, AND FUTURE SALES TO JAPAN ON SAUDI OIL WHICH WILL BE REMOVED FROM CONTROL OF THE LARGE AMERICAN-BASED MULTINATIONAL PETROLEUM COMPANIES

THE SO-CALLED "MAJORS."

A NEW AND CLOSE ARRANGEMENT BETWEEN THE WORLD'S NUMBER ONE PETROLEUM-EXPORTING COUNTRY AND NUMBER ONE PETROLEUM-IMPORTING COUNTRY COULD HAVE FAR-REACHING EFFECTS ON THE CURRENT INTERNATIONAL ECONOMIC AND POLITICAL POWER STRUGGLE CENTERING ON OIL RESOURCES.

SAUDI ARABIA WOULD HAVE INCREASED LEVERAGE AND BARGAINING POWER AS WELL AS A POWERFUL NEW ALLY AMONG THE RANKS OF THE INDUSTRIALIZED COUNTRIES. JAPAN WOULD GAIN MORE OF THE ONE THING IT FEELS IT NEEDS THE MOST - IMPORTED OIL TO FUEL ITS FACTORIES, BUSINESSES AND HOMES.

FOR JAPAN, THE DANGERS ARE ALSO SUBSTANTIAL. THE MILITARY ALLIANCE AND CLOSE ECONOMIC TIES WITH THE UNITED STATES COULD BE FURTHER STRAINED BY THE SAUDI ARRANGEMENT. WHATEVER CHANCE EXISTS FOR A COMMON FRONT OF OIL-CONSUMING NATIONS IN THE CURRENT PETROLEUM POWER GAME MAY ALSO BE DAMAGED, POSSIBLY TO JAPAN'S ULTIMATE DETRIMENT AS A MAJOR CONSUMING COUNTRY.

OF MORE IMMEDIATE AND PRACTICAL CONCERN, SAUDI DEALS MAY BRING ON THE IRE OF THE INTERNATIONAL OIL "MAJORS" WHICH PRESENTLY CONTROL ABOUT 70 PER CENT OF ALL THE PETROLEUM SHIPMENTS INTO JAPAN. THERE ARE ALREADY STRONG INDICATIONS THAT THE MAJOR FIRMS HAVE DIVERTED SUBSTANTIAL AMOUNTS OF OIL FROM JAPAN TO MORE FAVORED CLIENTS, SUCH AS THE UNITED STATES. THIS TREND COULD ACCELERATE WITH PAINFUL RESULTS FOR JAPAN.

CONSCIOUS OF THE POTENTIAL PROBLEM WITH THE MAJORS,
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NINE SENIOR JAPANESE BUSINESS LEADERS DECIDED TODAY TO HOLD A ROUND OF TALKS IN THE NEAR FUTURE WITH THE OIL FIRMS. THE GROUP INCLUDES THE BOARD CHAIRMAN OR SENIOR ADVISOR OF THE FUJI BANK, JAPAN INDUSTRIAL BANK, BANK OF TOKYO, MITSUBISHI HEAVY INDUSTRIES CO., NIPPON STEEL CORP. AND OTHER POWERFUL COMPANIES.

AMONG OTHER THINGS, THE JAPANESE BUSINESSMEN WANT

TO SOUND OUT THE REACTION OF THE MAJORS TO DIRECT OIL DEALS BETWEEN JAPAN AND SUCH OIL-PRODUCING STATES AS SAUDI ARABIA. THEY ALSO WANT TO EXPLORE THE VIEWS OF THE MAJORS ON PRICING AND DISTRIBUTION OF THEIR OIL.

VERY LITTLE HAS BEEN PUBLICLY DISCLOSED ABOUT THE TERMS OR DETAILS OF THE AGREEMENT DISCUSSED BY YAMANI

AND JAPANESE LEADERS THIS WEEK.

FOREIGN MINISTER OHIRA DESCRIBED THE PLAN TODAY AS AN "UMBRELLA AGREEMENT" FOR PROMOTING ECONOMIC COOPERATION FOR THE INDUSTRIALIZATION OF SAUDI ARABIA. HE SAID THAT SAUDI ARABIA IS EXPECTED TO SUPPLY OIL TO COUNTRIES IN PROPORTION TO THEIR CONTRIBUTION TO ITS INDUSTRIALIZATION, THOUGH IT IS NOT CLEAR THAT THIS COMMITMENT WILL BE PART OF THE WRITTEN AGREEMENT.

FOR HIS PART YAMANI SAID IN A TELEVISION INTERVIEW TONIGHT THAT AT THE DIRECTION OF KING FAISAL, HE HAD BEEN INSTRUMENTAL WITHIN ARAB CIRCLES IN OBTAINING FRIENDLY NATION STATUS FOR JAPAN FOLLOWING THIS COUNTRY'S DIPLOMATIC TILT TOWARD THE ARAB CAUSE IN THE MIDDLE EAST CONFLICT. NOW FAISAL HAS PROPOSED A STRONGER COOPERATIVE RELATIONSHIP BETWEEN THE TWO COUNTRIES, HE SAID.

YAMANI SAID JAPAN HAS A NEED TO DISPERSE ITS INDUSTRY IN OTHER AREAS TO AVOID FURTHER POLLUTION OF THE HOME ISLANDS. SAUDI ARABIA HAS SITES, STABILITY AND THE ENERGY WHICH JAPAN NEEDS FOR ITS PRODUCTION AT HOME AND ABROAD.

"WE SHALL BE ABLE TO REALIZE THE DREAMS OF SAUDI
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ARABIA FOR INDUSTRIALIZATION, AND ALSO TO HELP THE INTEREST OF JAPAN, TO SECURE FOR JAPAN THE CONTINUING SUPPLY OF ENERGY TO THE COUNTRY," HE SAID.

ASKED ABOUT THE PRESENT HIGH PRICE OF OIL, YAMANI SAID THE LAWS OF SUPPLY AND DEMAND WILL BRING IT DOWN AS THE AMOUNT OIL SUPPLY BECOMES GREATER. "THIS WILL HAPPEN VERY SOON," HE SAID. HE DID NOT SPECIFY HOW OR WHEN.

YAMANI'S MEETING TODAY WITH PRIME MINISTER KAKUEI TANAKA INCLUDED DISCUSSION OF JAPAN'S POSITION AT NEXT MONTH'S WASHINGTON CONFERENCE OF OIL-CONSUMING NATIONS. ON MONDAY, YAMANI P
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